

JAN 23 2015

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# A BILL FOR AN ACT

RELATING TO STATE DEBT.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. The purpose of this Act is to address state  
2 debt.

3       More specifically, this Act requires the director of  
4 finance to submit to the legislature the following:

- 5       (1) A state debt management policy before the convening of  
6           the regular session of 2016, as recommended by the  
7           Government Finance Officers Association; and  
8       (2) A debt affordability study before the regular session  
9           convenes each odd-numbered year.

10       The legislature intends that this Act should promote both  
11 transparency in budget-making and more informed decisions on  
12 capital improvement project and debt issuance authorizations.

13       SECTION 2. The Hawaii Revised Statutes is amended by  
14 adding a new chapter to be appropriately designated and to read  
15 as follows:

16                               "CHAPTER

17                               STATE DEBT



## 1                   PART I.   STATE DEBT MANAGEMENT POLICY

## 2           §   -1   State debt management policy; establishment.   (a)

3   The director of finance, with the approval of the governor,  
4   shall submit to the legislature a recommended state debt  
5   management policy, in accordance with this chapter, at least  
6   twenty days prior to the convening of the regular session of  
7   2016.

8           (b)   The recommended state debt management policy shall  
9   consist of guidelines and restrictions that affect the amount  
10   and type of bonds issued by the state government, the issuance  
11   process, and the management of the state debt portfolio.  The  
12   purpose of the policy shall be to improve the quality of  
13   decisions, provide justification for the structure of debt  
14   issuance, identify policy goals, and demonstrate a commitment to  
15   long-term financial planning, including a multi-year capital  
16   plan and debt service payment schedule.

17           (c)   The recommended state debt management policy shall  
18   address bonded debt as well as financing agreements,  
19   certificates of participation, and other instruments that  
20   provide financing for state facilities in return for periodic  
21   lease or other payments.



(d) The director of finance may submit recommended amendments of the policy to the legislature prior to the convening of any regular session.

**§ -2 Recommended debt management policy; parameters.**

The recommended state debt management policy shall be consistent with, but may be more restrictive than, state constitutional provisions and statutes. The recommended state debt management policy shall address the following issues, as well as any others deemed necessary by the director of finance:

- (1) Purposes for which debt may be issued;
- (2) Types of debt that may be issued;
- (3) Limitations on indebtedness;
- (4) Debt maturity schedule or other structural features;
- (5) Method of sale;
- (6) Method of procuring consultants and professionals;
- (7) Refunding policies; and
- (8) Disclosure practices.

**§ -3 Debt management policy; duties of the legislature.**

Upon receipt from the director of finance, the legislature shall consider the recommended state debt management policy. The



1 legislature may establish the policy, with or without  
2 modification, by act.

3 **PART II. DEBT AFFORDABILITY STUDY**

4 **§ -11 Definitions.** For the purpose of this part:

5 "Ensuing twenty-five fiscal year period" means the twenty-  
6 five fiscal years following the submittal of a multi-year  
7 program and financial plan to the legislature.

8 "Fiscal years covered by the applicable multi-year program  
9 and financial plan" means the six fiscal years following the  
10 submittal of the multi-year program and financial plan to the  
11 legislature.

12 **§ -12 Debt affordability study.** The director of finance  
13 shall submit to the legislature a debt affordability study prior  
14 to the convening of the regular session of each odd-numbered  
15 year. The director shall submit the study with the multi-year  
16 program and financial plan.

17 **§ -13 Debt affordability study; purpose, information.**

18 (a) The purpose of the debt affordability study shall be to  
19 provide the legislature with information on the affordability of  
20 the future debt planned for the State.



(b) The debt affordability study shall include the following information:

(1) The projected annual appropriation, by source of funding, necessary to pay the annual debt service for the ensuing twenty-five fiscal year period on the following bonds, under the assumption that all are issued:

(A) All authorized, but unissued bonds that have not lapsed as of the September 30 immediately preceding submittal of the study; and

(B) All bonds necessary to fund the capital improvement projects proposed in the fiscal years covered by the applicable multi-year program and financial plan;

(2) A debt service payment schedule showing the annual appropriation, by source of funding, necessary to pay, during the ensuing twenty-five fiscal year period, the annual debt service on:

(A) All bonds identified under paragraph (1); and

(B) All bonds previously issued, but remaining outstanding;



1       (3) The projected ratio of the following for each source  
2       of funding pledged to pay debt service on bonds during  
3       each fiscal year of the ensuing twenty-five fiscal  
4       year period:

5       (A) Annual debt service payments to annual revenues;  
6       and

7       (B) Annual debt service payments to annual  
8       appropriations;

9       (4) An examination of whether projected annual revenues  
10      from the source of funding are adequate to pay for the  
11      annual debt service on the bonds;

12      (5) An examination of whether any increase in annual debt  
13      service payments on the bonds will cause a  
14      commensurate decrease of funds available for operating  
15      programs with the same source of funding as the debt  
16      service payments;

17      (6) An assessment of whether the annual debt service  
18      obligations of the State for the fiscal years covered  
19      by the applicable multi-year program and financial  
20      plan are affordable to the State; and



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(7) An identification of, and discussion on, any non-compliance or possible non-compliance of the State's actual or planned debt issuance with the state debt management policy.

The director of finance may include any other information in the study deemed appropriate or necessary by the director."

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$50,000 or so much thereof as may be necessary for fiscal year 2015-2016 and the same sum or so much thereof as may be necessary for fiscal year 2016-2017 for the preparation of the state debt management policy and the debt affordability study.

The sums appropriated shall be expended by the department of budget and finance for the purposes of this Act.

SECTION 4. This Act shall take effect on July 1, 2015.

INTRODUCED BY:

*Jim*  
*Hon. Scott Rothblatt*  
*Hon. Scott Rothblatt*  
*Hon. Scott Rothblatt*



# S.B. NO. 253

**Report Title:**

State Debt Management Policy, Debt Affordability Study;  
Established; Appropriations

**Description:**

Requires the director of finance to submit a recommended state debt management policy to the legislature before the 2016 regular session. Requires the director of finance to submit a debt affordability study to the legislature before the regular session of each odd-numbered year. Makes an appropriation for the preparation of the policy and study.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

